Annual Report for the year 1952

CASTLE & COOKE, LIMITED

CASTLE & COOKE, LIMITED

HONOLULU, HAWAII

DIRECTORS

J. BALLARD ATHERTON
E. E. BLACK
A. G. BUDGE
H. K. L. CASTLE
S. N. CASTLE
C. J. HENDERSON
P. K. McLEAN
J. H. MIDKIFF
GEO. G. MONTGOMERY
A. F. STUBENBERG
HENRY A. WHITE

OFFICERS

A. G. BUDGE	President
H. K. L. CASTLE	Vice-President
C. J. HENDERSON	Vice-President
GEO. G. MONTGOMERY	Vice-President and Chairman of the Finance Committee
W. M. BUSH	Treasurer
L. J. HOUGHTON	Assistant Treasurer
HOWARD HUBBARD	Assistant Treasurer
J. C. KELLEY	Assistant Treasurer
MALCOLM MacNAUGHTON	Assistant Treasurer
FREDERICK SIMPICH, JR.	Secretary
HENRY B. CLARK, JR.	Assistant Secretary
L. F. DEACON	Assistant Secretary
W. M. HALE, JR.	Assistant Secretary
H. M. RICHARDS	Assistant Secretary

AUDITOR

YOUNG, LAMBERTON & PEARSON

STOCK TRANSFER AGENTS

Hawaiian Trust Co., Ltd.	Honolulu
Wells Fargo Bank & Union Trust Co.	San Francisco

REGISTRARS

Bishop Trust Co., Ltd.	Honolulu
American Trust Co.	San Francisco

REPORT OF THE PRESIDENT

To the Stockholders of Castle & Cooke, Limited:

The current decline in mainland farm income has yet to be reflected in Hawaii. In the year ahead, however, both our major crops, sugar and pineapple, will be confronted with the problem of marketing increasing volume in the face of world overproduction. There is, of course, no "overproduction" in relation to human need throughout the world. But until factors presently restricting consumption in other areas are overcome, our domestic industries probably will face increasing competitive pressure from foreign producers bidding for American dollars and a larger share of the American market. In 1952 Cuba alone produced 2,000,000 more tons of sugar than it could sell. In 1953 more pineapple will ripen in Hawaii and the Philippines than ever before in history. Whether the protection of the Sugar Act on the one hand and aggressive marketing on the other will be adequate to sustain Hawaii's income from sugar and pineapple remains to be seen. In 1952 we saw the results of world overproduction when the return from our molasses fell from $39.87 to $14.61. This experience cost the Hawaiian Islands about $7,100,000. A much less dramatic decline in sugar or pineapple could have far more serious consequences.

INVESTMENTS AND INCOME

In 1952 Castle & Cooke registered a sharp decline in earnings. This was due primarily to the suspension of dividends by Hawaiian Pineapple Company. We were affected directly through our stock ownership in that company and indirectly

through the reduction in Helemano dividends resulting from its large interest in Hawaiian Pine. Dividends from these two sources declined $360,000 while net profit declined from $1,579,498 in 1951 to $1,046,190 in 1952.

Dividends of $1.60 per share were paid, as compared with $2.00 in 1951. There were no significant changes in the balance sheet.

The remainder of this report summarizes the activities of Castle & Cooke and the companies in which it has investments. Copies of the annual reports of such of these companies as publish reports will be mailed stockholders who return the enclosed card.

FOOD PRODUCTION

SUGAR

The administrators of the Sugar Act continued to be realistic in exercising their responsibility for maintaining a fair price to producers. The result was an increase in the return for Hawaii to $124.35 per ton, an improvement of $6.20 over 1951. This increase, however, was more than offset by the decline in molasses prices, the latter being beyond the control of the Department of Agriculture. Further, each of the plantations served by Castle & Cooke experienced increased costs, particularly in the marketing of its product, with a result that profits declined for each company.

In our opinion no drastic alterations in the laws or policies governing the production and sale of sugar are to be expected under the new Federal administration.

On the other hand, the presence of large surpluses in Cuba, the demands of Puerto Rico for an enlarged share of the domestic market, and the decline in farm income are adverse factors that can well be reflected in lowered sugar prices a year or two hence.

The reopening of the plantations' labor agreements with the ILWU resulted in a further reduction in the average work week, an 11-cents-an-hour wage increase designed to maintain take-home pay, and certain limitations on the freedom of the management to schedule work.

Ewa

Ewa's crop was 58,756 tons, 1,089 less than in 1951. However, the year saw the company achieve a new Hawaiian record of .614 tons of sugar per acre-month of growth. The reduction in crop size will lead to greater age for future crops and should benefit yields in the years immediately ahead. Net profit after reserves for excessive cost of replacements and all taxes declined from $727,137 in 1951 to $643,405 in 1952. The mill alignment was rearranged and a new turbine installed in the factory during the off-season. The whole property is well maintained and operating at a high degree of efficiency.

Kohala

In contrast with the long drought of 1951, Kohala in 1952 experienced the wettest year since 1936. The crop of 40,850 tons compares with 44,449 tons harvested the preceding year. Credit is due the management and personnel for this result as harvesting conditions were generally difficult throughout most of the year. The smaller crop, lowered molasses prices, and increased marketing costs combined with other factors to reduce the profit to $29,727, after reserves for excessive depreciation and taxes. This compares with $353,693 in 1951. Experimental pineapple plantings set out in 1950 and 1951 were discontinued in the light of the uncertain market prospects for this fruit. Results of the trial indicated that 3,000 or more acres of Kohala lands are suitable for commercial production of pineapple.

Waialua

Another record crop, the fourth in succession, reached 67,344 tons in 1952. Notwithstanding, profit after excess depreciation reserves and taxes declined from $670,673 in 1951 to $549,252. Reduced molasses prices and increased marketing costs were again the principal adverse factors.

During the off-season the transition from rail to rubber-tired transportation of cane was completed. Development of added water in Opaeula Gulch, the principal

project remaining in the company's postwar capital improvements program, was authorized by the directors. It will require several years to complete.

PINEAPPLE

Hawaiian Pineapple Company, Ltd., reported a loss, the first since 1932, of $1,631,853 for its fiscal year ending May 31, 1952. This compares with a profit of $3,521,301 in the year preceding. This result reflects no lowered acceptance of Dole products. In fact the company has not been able to service fully the demands of the trade. Rather, the loss was caused by the reduced pack following the seven-month strike on the Lanai plantation and the fact that prices have not advanced with increased costs. It is questionable whether adequate price adjustments can be expected in the face of substantial increases in pineapple production by other growers, both in Hawaii and the Philippines. The company will return to full production this year. Hawaiian Pine's future profitability will be determined by the ability of aggressive marketing, both on an industry and company basis, to move the substantially increased production of fruit here and abroad.

TUNA

The first year of operation of Hawaiian Tuna Packers as a Castle & Cooke subsidiary produced something better than break-even results. Despite a continuing depression in the mainland market for tuna, earnings would have been satisfactory but for a very poor fishing season in Hawaii. The local catch, down 53 per cent from 1951, was the smallest since full scale commercial fishing was resumed after the war. To the extent practical, the deficit was made up by the purchase of fish from abroad for sale in the mainland market. It was nevertheless necessary to allocate the product among distributors and withhold planned promotion of the Royal Hawaiian label. Given adequate supplies of fish, further expansion of our mainland business is contemplated for this year.

MACADAMIA NUTS

Progress in the development of our orchard outside Hilo continued. The jungle growth on virtually all of the 1,250 acres required to plant a net of 1,000 acres has been knocked down. At the end of the year, more than 1,000 acres had been

cleared and graded, of which 610 acres were planted with 42,500 trees. To date costs are well within initial projections. Planting will be confined to 1,000 acres until actual production and sales experience confirm our estimates. Processing research has been completed and design of a pilot plant will be undertaken this year. So far, marketing studies are encouraging.

TRANSPORTATION

Total volume of freight through the port continued high due to substantial military spending and the resulting prosperity of the community. There were, however, several serious disruptions of cargo movement due to labor problems. A jurisdictional strike tied up all sailings from the West Coast to Hawaii for two months in the summer. Several brief but disruptive strikes in violation of the collective bargaining agreement occurred on the Honolulu docks in the spring and fall.

MATSON

Matson's operating earnings were seriously affected by the two months' strike and substantially increased labor costs arising from the 1952 round of negotiated wage agreements. While Matson will report a profit for the year, the result is primarily attributable to settlement of its claims against the Maritime Administration arising from operating subsidies due the subsidiary Oceanic Steamship Company, sale of the Monterey to the government, and settlement of reconversion costs of both the Mariposa and Monterey. The character of Matson's future operations in the passenger field are under intensive study. The greatest single discouragement is the labor situation which seems to preclude reliable scheduled operations so essential if tourist travel is to be fostered.

The new SurfRider Hotel, along with the Royal Hawaiian and Moana, continues to attract tourists in growing numbers. But their success is greatly influenced by interruptions to shipping. Despite reliable airplane service it has been repeatedly demonstrated that many tourists will not visit the Islands when surface transportation is disrupted.

ISTHMIAN STEAMSHIP COMPANY

This company, which operates a joint service with Matson from the East Coast continued to employ us as agent during 1952. Again, as in the past, when West Coast shipping was interrupted Isthmian assisted the Islands by assigning extra vessels to carry cargoes diverted from the struck ports.

CASTLE & COOKE TERMINALS

The profit from our stevedoring activity was adversely affected by the several interruptions to shipping. Operations of this character are very sensitive, not only to declines in volume, but to congestion on the docks. Following every strike the port facilities are flooded with merchandise, with a resulting loss in efficiency. The Terminals perform best when cargoes move at an uninterrupted level rate. During the year a joint contributory medical plan was negotiated. Details of the pension plan were completed and it was put in operation. Thus medical services and pensions presumably have been removed from waterfront contention and stevedores employed by the company have been provided a measure of security unusual in the industry.

MERCHANDISING

While sales continued at high levels, intense competition in the industrial equipment field cut margins in both our subsidiary merchandising companies. As a consequence, though both were profitable, neither produced earnings equivalent to those of 1951. A. F. Stubenberg, Limited, as representative of International Harvester agricultural equipment, has succeeded in establishing that company's TD-24 180 h.p. tractor as a popular heavy-duty unit in the Islands. Hawaiian Equipment Company is enjoying a growing parts business as the lines it represents win broadening acceptance.

HELEMANO

To an even greater extent than is true of Castle & Cooke, this company's results are affected by the suspension of Hawaiian Pineapple Company dividends.

Early in the year its directors, faced with a loss of income from that source, determined to continue Helemano dividends at a modest level, pending clarification of the pineapple situation. Accordingly, of the 80 cents per share paid in 1952, 14 cents was drawn from surplus. The company's earnings were derived from Helemano's land holdings, which are leased to sugar, pineapple and other tenants.

OTHER INTERESTS

Our investment in those companies which we do not serve as agent was little changed during the year. Bay & River Navigation Company, which transports sugar in San Francisco Bay, improved its profit and increased its dividend. The Hawaiian Trust Company also had a successful year. The Home Insurance Company of Hawaii paid a modest increase over its regular dividend. Honolulu Oil Company continued its satisfactory operation in the development of oil-bearing properties on the mainland.

STOCKHOLDERS AND EMPLOYES

To effect operating savings, the accounting functions of the subsidiary companies were consolidated in Castle & Cooke during 1952. This move was primarily responsible for the increase from 149 to 176 persons on the staff. The officers and directors of the company greatly appreciate the continued cooperation and sincere effort of each member of our organization. During the year several departments have been rather crowded and somewhat inconvenienced by the structural improvements in progress on the upper floors of our building. The cheerful acceptance of this temporary situation has been very helpful.

There are now four employes on military leave. Douglas Ponischil joined the armed forces in 1952. We were pleased to welcome back to the company Alvin Aona, Robert Arciero, David Ching and Bruce White, who have completed their tours of duty. The number of stockholders increased in 1952 from 946 to 999.

CONCLUSION

As the year closed statehood was receiving strong support from the administration in Washington and from influential members of Congress, although some serious opposition remained to be overcome. Having long advocated statehood, Castle & Cooke views the increased recognition of Hawaii's accomplishments with considerable satisfaction. We do not believe, however, that the change in political status would solve the fundamental economic problems of prospective unemployment and overproduction of sugar and pineapple. As in the past, the community must rely on its own ingenuity for solutions. This company is continuing to search for long-range investment opportunities that have sound profit prospects and which will help broaden and strengthen Hawaii's economic base.

A G Budge

INVESTMENTS OF CASTLE & COOKE, LIMITED

AS OF DECEMBER 31, 1952

	Issued Shares	Number of Shares Held	% of Total Issued
SUBSIDIARIES:*			
Castle & Cooke Terminals, Ltd.	60,000	60,000	100.00
Hawaiian Equipment Co., Ltd.	50,000	50,000	100.00
Hawaiian Tuna Packers, Ltd.	110,000	109,957	99.96
A. F. Stubenberg, Ltd.	25,000	25,000	100.00
OTHER INVESTMENTS:			
Bay & River Navigation Co.	17,000	2,925	17.21
Ewa Plantation Co.	250,000	51,082	20.43
Hawaiian Pineapple Co., Ltd.	1,492,438	236,500	15.85
Hawaiian Trust Co., Ltd.	83,080	5,042	6.07
Helemano Company, Ltd.	609,375	162,500	26.67
Home Insurance Co. of Hawaii, Ltd.	50,000	19,650	39.30
Honolulu Oil Corporation	1,875,486	80,000	4.27
Kohala Sugar Co.:			
Common Stock	159,500	142,836	89.55
Preferred Stock	7,000	5,493	78.47
Matson Navigation Co.	1,660,202	207,698	12.51
Waialua Agricultural Co., Ltd.	609,375	158,500	26.01

* The financial position and operating results of these companies are consolidated with those of Castle & Cooke, Limited.

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

AT DECEMBER 31st

	1952		1951	
CURRENT ASSETS:				
Cash	$ 1,217,958		$ 978,160	
U. S. Government Securities at Cost Less Amortization	1,161,737		1,942,440	
Accounts and Other Receivables	1,165,431		1,482,418	
Inventories:				
Merchandise at Lower of Cost or Market	2,736,247		2,765,273	
Supplies at Cost	332,077		209,678	
Prepaid Expenses	51,150		53,545	
		$ 6,664,600		$ 7,431,514
Note Receivable—Kohala Sugar Company		500,000		-------
		$ 7,164,600		$ 7,431,514
DEDUCT CURRENT LIABILITIES:				
Accounts and Other Payables	$ 2,439,062		$ 2,398,256	
Income Taxes of $368,685 in 1952 and Income and Excess Profits Taxes of $808,512 in 1951 Less an Equivalent Amount of Current Assets Reserved for Payment Thereof	-------		-------	
		2,439,062		2,398,256
NET WORKING ASSETS		$ 4,725,538		$ 5,033,258
INVESTMENTS AT BOOK VALUE		11,099,879		11,049,450
LAND AT COST		827,752		740,060
BUILDINGS AND EQUIPMENT (Less Reserve for Depreciation)		1,729,003		1,700,095
OTHER ASSETS—NOTES RECEIVABLE		227,510		259,505
DEFERRED CHARGES		123,163		37,124
		$18,732,845		$18,819,492
DEDUCT:				
Reserves:				
Workmen's Compensation	$ 4,256		$ 5,479	
Contingencies	30,000		52,594	
Minority Interest in Subsidiary	595		581	
		34,851		58,654
TOTAL NET ASSETS IN WHICH CAPITAL WAS INVESTED		**$18,697,994**		**$18,760,838**
SOURCES FROM WHICH ABOVE NET ASSETS WERE OBTAINED:				
Capital Stock—500,000 Shares at $20.00 Par Value	$10,000,000		$10,000,000	
Capital in Excess of Par Value of Stock	710,401		710,415	
Accumulated Earnings Retained and Used in the Business	8,938,803		8,621,725	
	$19,649,204		$19,332,140	
Less Treasury Stock at Cost	951,210	(36,009 Shares)	571,302	(20,000 Shares)
TOTAL CAPITAL INVESTED		**$18,697,994**		**$18,760,838**

CONSOLIDATED STATEMENT
OF
OPERATING RESULTS

	1952		1951	
INCOME:				
Agency Fees	$1,432,151		$1,354,867	
Sales of Goods and Services (Subsidiaries)	2,353,302		2,257,234	
Dividends	863,570		1,210,302	
Interest	72,129		95,337	
Rents	33,213		30,228	
Miscellaneous—Net	(45,163)*		29,647	
		$4,709,202		$4,977,615
COSTS:				
Operating Expenses	$3,294,327		$2,589,605	
Territorial and Federal Income Taxes, and 1951 Excess Profits Tax	368,685		808,512	
		3,663,012		3,398,117
NET INCOME		**$1,046,190**		**$1,579,498**
ACCUMULATED EARNINGS RETAINED AND USED IN THE BUSINESS—JANUARY 1st		**8,621,725**		**8,008,155**
ADD:				
Transfer from Reserve for Contingencies		22,594		....
		$9,690,509		**$9,587,653**
DEDUCT:				
Dividends Paid		751,706		965,928
ACCUMULATED EARNINGS RETAINED AND USED IN THE BUSINESS—DECEMBER 31st		**$8,938,803**		**$8,621,725**

* Denotes Loss.

AUDITOR'S CERTIFICATE

To the Stockholders of
Castle & Cooke, Limited:

We have examined the consolidated statement of financial condition of Castle & Cooke, Limited, and those subsidiaries consolidated as of December 31, 1952, and the consolidated statement of operating results for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We have reviewed and accepted the report of independent auditors for one of the subsidiaries.

In our opinion, the accompanying statements of financial condition and operating results present fairly the consolidated financial position of Castle & Cooke, Limited, and those subsidiaries consolidated at December 31, 1952, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

YOUNG, LAMBERTON & PEARSON
Certified Public Accountants

Honolulu, Hawaii
March 16, 1953